

Message Text

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PAGE 01 STATE 122658

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ORIGIN NASA-04

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID

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E. O. 11652: NA

TAGS: TSPA

SUBJ: PAYMENT OF TAXES UNDER NASA AGREEMENT

REF : MADRID 1513

1. DEPARTMENT AND NASA APPRECIATE EFFORTS BY BOTH EMBASSY AND MFA TO FIND WORKABLE SOLUTION TO QUESTION OF PAYMENT OF TAXES BY NASA SUBCONTRACTOR BUT AFTER CAREFUL CONSIDERATION HAVE CONCLUDED THAT POTENTIAL PRACTICAL BENEFITS DO NOT WARRANT PURSUING THIS ISSUE FURTHER. AS NOTED IN PARAGRAPH 3 OF REFTEL, MFA HAS CLEARLY REVERSED ITS EARLIER POSITION THAT AN AMENDMENT TO 1964 AGREEMENT COULD BE OBTAINED WITHOUT DIFFICULTY; IN VIEW OF CURRENT OPPOSITION BY BOTH MFA AND FINMIN TO AMENDMENT IT SEEMS UNREALISTIC TO FOLLOW THAT ROUTE. AS FOR ALTERNATE SUGGESTION THAT NASA ISSUE POWER OF ATTORNEY TO SUBCONTRACTOR OR INTA NASA HAS AGAIN CONSIDERED SUBJECT BUT REAFFIRMED EARLIER REJECTION. SUCH ACTION WOULD BE UNPRECEDENTED, AND WOULD RAISE LEGAL IMPLICATIONS WITH WHICH NASA DOES NOT WISH BECOME INVOLVED.

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PAGE 02 STATE 122658

2. ABOVE POSITION BASED IN PART ON PRACTICAL ASPECTS OF SITUATION. IN FIRST PLACE, THE ACTIVITY WHICH RAISED ISSUE, I. E., THE COLLINS RADIO CORPORATION' S SUBCONTRACT FOR WORK ON THE 64 METER ANTENNA, HAS NOW BEEN COMPLETED AND MFA HOLDS OUT NO PROSPECT THAT THERE WOULD BE RETROACTIVE TREATMENT IN ANY EVENT FOR TAXES ON SERVICES AND EXECUTION OF WORKS, WHICH COMPRISE LARGEST PART OF ESTIMATED DOLS 30,000 IN TAXES INVOLVED OVERALL. MOREOVER, THIS IS COUPLED WITH FACT THAT THERE IS NOT FURTHER CONSTRUCTION CURRENTLY PLANNED AT STATION INVOLVING SIMILAR SUBCONTRACTS, AND HENCE NO PRACTICAL FUTURE APPLICATION OF AN AMENDMENT CONFIRMING EXEMPTION FROM TAXES ON SERVICES OR EXECUTION OF WORK. THAT CONSTRUCTION WORK WHICH IS CURRENTLY CONTEMPLATED WOULD BE HANDLED LARGELY BY CONTRACTS UNDER NAVY CONSTRUCTION OFFICE MANAGEMENT. THESE ARRANGEMENTS NASA UNDERSTANDS ALREADY PROVIDE FOR THOSE EXEMPTIONS REQUESTED IN THE CASE OF THE COLLINS SUBCONTRACTS.

3. FOREGOING VIEWS DO NOT MEAN THAT WE WISH MFA TO REFRAIN FROM ATTEMPTING OBTAIN REFUNDS ON TAXES PAID ON MATERIALS AND EQUIPMENT (PARA 4 REFTEL). WE UNDERSTAND, HOWEVER, THAT MFA BELIEVES THIS CAN BE ACCOMPLISHED WITHOUT AMENDMENT. EMD.
RUSH

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*** Current Classification *** LIMITED OFFICIAL USE

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